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ORIGINAL

Arizona Corporation Commission  
BEFORE THE ARIZONA CORPORATION COMMISSION  
**DOCKETED**

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CHAIRMAN

Nov 17 2000

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COMMISSIONER

WILLIAM MUNDELL  
COMMISSIONER

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AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE JOINT )  
APPLICATION OF SUN CITY WATER )  
COMPANY AND SUN CITY WEST )  
UTILITIES COMPANY FOR APPROVAL OF )  
CENTRAL ARIZONA PROJECT WATER )  
UTILIZATION PLAN AND FOR AN )  
ACCOUNTING ORDER AUTHORIZING A )  
GROUNDWATER SAVINGS FEE AND )  
RECOVERY OF DEFERRED CENTRAL )  
ARIZONA PROJECT EXPENSES )

DOCKET NO. W-01656A-98-0577  
SW-02334A-98-0577

**STAFF'S COMMENTS  
ON BINDING AGREEMENTS**

Staff of the Arizona Corporation Commission ("Staff") hereby files its comments on: 1) the Agreement between Sun City Water Company and the Recreation Centers of Sun City, dated October 30, 2000; and 2) the Agreement between Sun City West Utilities Company and the Recreation Centers of Sun City West, dated October 20, 2000 (collectively the "Agreements").

**BACKGROUND**

Decision No. 62293, dated February 1, 2000 required Sun City Water Company and Sun City West Utilities Company ("the Companies") to file, by August 31, 2000, the results of the completion of the preliminary design/updated cost estimate including:

- (a) The feasibility of a joint facility with the Agua Fria Division including the time frame for any such joint facility;
- (b) The need for all major elements of its proposed plan (e.g. storage and booster stations); and
- (c) Binding commitments from golf courses, public and private, and the terms and conditions related thereto.

1 By Procedural Order dated August 21, 2000, the Companies were granted an extension of  
2 time until November 1, 2000 to file the binding commitments from the public and private golf  
3 courses as required in item (c) above. As a result, the parties were granted a 15 days extension to  
4 examine and submit comments related to such binding agreements.

5  
6 **THE BINDING AGREEMENTS**

7  
8 On October 31, 2000, the Companies filed the required Agreements for the golf courses  
9 that the Recreation Centers of Sun City and Sun City West ("Recreation Centers") operate. No  
10 binding agreements were filed on behalf of the private golf courses as ordered in Decision No.  
11 62293. Further, Exhibits A and B, "Locations of Use and Points of Delivery" and "Operating  
12 Agreement", referenced in the above-mentioned Agreements were respectively left blank.

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14 **Sun City**

15 Out of the ten golf courses located in Sun City, the Sun City Recreation Center operates  
16 seven of them. According to the Preliminary Engineering Report dated July 2000, the  
17 Recreation Centers expressed a desire to have exclusive rights to exchange the CAP water with  
18 Sun City Water Company. As a result, it appears that the three golf courses not operated by the  
19 Recreation Center would remain dependent on groundwater.

20  
21 **Sun City West**

22 In Sun City West the Recreation Center operates seven of the 9 golf courses located  
23 there. The Companies filed binding agreement for five of the seven golf courses operated by the  
24 Recreation Center (the other two are required to use effluent and may not participate in the GSP).  
25 No binding agreements were filed for the two private golf courses of Sun City West. According  
26 to the Preliminary Engineering Report filed by the Companies on August 1, 2000, the  
27  
28

1 Groundwater Savings Project ("GSP") would not be operationally feasible without the  
2 participation of the two private golf courses.

3  
4 The Agreements require the Recreation Centers to pay the Companies a charge per acre-  
5 foot ("Exchange Charge") of Central Arizona Project ("CAP") water received. The Exchange  
6 Charge would be an amount equal to 80 percent of the average per acre-foot cost of purchased  
7 power for pumping groundwater. On November 2, 2000, Staff requested that the Companies  
8 provide the amount derived from the Exchange Charge based on the 1999 calendar year  
9 purchased pumping power costs incurred by the golf courses. The purpose of the request was to  
10 have an idea of the revenues derived by the Companies from the Exchange Charge. The  
11 Companies failed to respond to this request as of the date of this report. As a result, Staff could  
12 not establish the amount (based on the 1999 calendar year) of recovery derived from the  
13 Exchange Charge to offset the CAP water costs.

#### 14 15 **STAFF'S RECOMMENDATIONS**

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17 In Staff's opinion, based on the requirements of Decision No. 62293, the Companies have  
18 not fully complied with the Order in that the Companies failed to submit the required binding  
19 agreements with the private golf courses. Further, the Companies failed to supply Exhibit A and  
20 B, the "Locations of Use and Points of Delivery" and the "Operating Agreement" for each of the  
21 Agreements. Consequently, until full compliance with Decision No. 62293 is achieved, Staff  
22 cannot recommend approval of the Binding Agreements with the Recreation Centers.

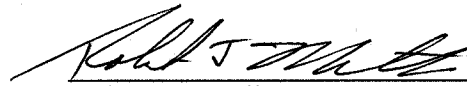
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1 Staff further recommends that if the Commission approves the Binding Agreements with  
2 the Recreation Centers, all revenue derived from the above-mentioned Exchange Charge be  
3 recorded as "Other Income" above the line, in order to off-set future revenue requirements  
4 related to the CAP water cost.

5  
6 RESPECTFULLY submitted this 17<sup>th</sup> day of November, 2000.

7  
8 

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15 The original and fifteen (15) copies  
16 of the foregoing filed this 16<sup>th</sup>  
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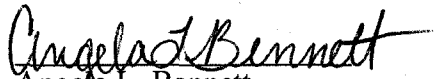
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